

# SUBCOMMITTEE NO. 3

# Agenda

## Health, Human Services, Labor & Veteran's Affairs

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Chair, Senator Elaine K. Alquist  
Senator Alex Padilla  
Senator Mark Wyland



### Agenda – Part B

Monday, March 10, 2008  
2:00 pm  
Room 4203  
(Consultant: Bryan Ehlers)

#### Discussion Agenda

<u>Item</u>	<u>Department</u>	<u>Page</u>
8955	Department of Veterans Affairs.....	3

#### Vote-Only Agenda

<u>Item</u>	<u>Department</u>	<u>Page</u>
8955	Department of Veterans Affairs.....	17

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## 8950 Department of Veterans Affairs

The California Department of Veterans Affairs (CDVA) has three primary objectives: (1) to provide comprehensive assistance to veterans and dependents of veterans in obtaining benefits and rights to which they may be entitled under state and federal laws; (2) to afford California veterans the opportunity to become homeowners through loans available to them under the Cal-Vet farm and home loan program; and (3) to provide support for California veterans' homes where eligible veterans may live in a retirement community and where nursing care and hospitalization are provided.

The department operates veterans' homes in Yountville (Napa County), Barstow (San Bernardino County), and Chula Vista (San Diego County). The homes provide medical care, rehabilitation, and residential home services. With \$50 million in general obligation bonds available through Proposition 16 (2000), \$162 million in lease-revenue bonds (most recently amended by AB 1077 [Chapter 824, Statutes of 2004]), and federal funds, new homes will be constructed in West Los Angeles, Lancaster, Saticoy (Ventura County), Fresno, and Redding.

### The Governor's 2008-09 Proposals

The Governor's Budget begins by funding 1,896.5 positions (including 238.6 new positions) and budget expenditures of \$381 million for the department, but then includes a 10 percent, across-the-board General Fund (GF) reduction (Budget-Balancing Reduction–BBR) of \$19.4 million and 118.5 positions. The individual BBRs are as follows:

Program	General Fund*	Personnel Years (PYs)
Care of Sick and Disabled Veterans	-\$18,687	-115.0
Veteran Claims	-\$263	-1.0
Veteran Memorials	-\$32	--
Veterans Claims and Rights (Local Assistance to Veterans Service Offices)	-\$260	--
General Administration (Administrative Support)	-\$149	-2.5
<b>TOTALS</b>	<b>-\$19,391</b>	<b>-118.5</b>

(\*dollars in thousands)

Staff notes that because the Administration changed the way it accounts for federal funds and reimbursements for the CDVA, the GF numbers above are "inflated" by approximately \$5 million. Put another way, \$5 million of the GF reduction scored by the Administration actually comes to the state as reimbursements or federal funds from non-state sources. The implications of this accounting change are discussed in more detail below (see CDVA Issue 1), but in order to provide a clearer comparison between the adjusted Fiscal Year (FY) 2007-08 totals and the 2008-09 Governor's Budget, the following table uses the traditional accounting method in which federal funds and reimbursements are kept separate from General Fund:

		<b>Total Funds*</b>	<b>General Fund*</b>	<b>Positions</b>
Adjusted Budget	2007-08	\$366,238	(\$125,919)	1,652.5
2008-09 Budget	Base	\$381,226	(\$138,307)	1,896.5
Proposed Budget-Balancing Reductions		-\$19,391	(\$14,246)	-118.5
<b>GOVERNOR'S REVISED TOTALS</b>	<b>2008-09</b>	\$361,835	(\$124,061)	1,778.0
<b>Change—Year Over Year</b>		-1.2%	-1.5%	+7.6%

(\*dollars in thousands)

As illustrated in the table above, the net effect of the Governor's proposals would be a 1.2 percent decrease in total funds from adjusted Fiscal Year 2007-08, including approximately \$1.9 million less in GF.

Staff notes that although the above table displays the 2008-09 CDVA proposed budget using the conventional accounting methodology, unless otherwise noted the remainder of this agenda references numbers provided in the 2008-09 Governor's Budget using the Administration's alternative accounting method. Although confusing for the purposes of comparing budget year proposals to current or past years, the time constraints inherent to the budget process simply do not permit all of the numbers to be "translated" at this point in time.

### ***DISCUSSION AGENDA:***

#### **Informational Issue – Consolidation of the Veteran Homes Organization Codes**

During the 2007-08 budget process, the Administration put forth a proposal to consolidate the CDVA budget. For years, each veterans home received a separate appropriation under a distinct organization code—a practice that had developed quite organically as each new home was added onto the original, single-home structure (Yountville). While this provided budget transparency and allowed each home considerable discretion over its spending, the practice had significant downsides, including lack of flexibility in moving resources to meet emerging needs.

Although the CDVA was not prepared to implement the consolidation in FY 2007-08, the Budget Act of 2007 included language directing the CDVA to implement the change in 2008-09 and requiring the department to provide the Legislature with quarterly progress reports on the transition. In requesting these reports, the Legislature was particularly

interested in monitoring the steps the CDVA took to ensure that the adequate policies, procedures, and organizational structures were in place to implement the consolidation effectively.

The issues written-up below contain multiple proposals aimed at strengthening the CDVA's central management capacity at HQ—including oversight of fiscal operations and facilities and capital asset management. The subcommittee may wish the CDVA to provide a brief overview of the department's consolidation activities to lend context to the discussion of the budget requests below.

**Questions:**

1. What are the major challenges facing the department in implementing the consolidation “on the ground” (as opposed to merely on paper)?
2. Generally speaking, what steps has the CDVA taken to address these challenges?

### **Informational Issue – Shower Repairs at Chula Vista**

Multiple shower benches at Chula Vista have failed over the past several years and the Administration recently provided the Legislature with preliminary notice that deficiency funding would be requested to make the necessary repairs.

**Staff Comments:** On September 12, 2007, the Department of Finance (DOF) submitted to the Legislature a “Notification of Receipt of Deficiency Funding Requests from the Department of Veterans Affairs” (also referenced below in Issue 2) that included \$1 million to remediate “issues resulting from improperly constructed showers” at Chula Vista. Although the notification did not provide many additional details on the nature of the problem, the Legislature learned from CDVA and DOF staff that in June 2007 a shower bench had failed (come out of the wall) while in use by a resident. As the Assembly Committee on Veterans Affairs held a November hearing on the matter and more information continued to emerge throughout the fall and winter, the Legislature learned that this was not the first shower bench failure at Chula Vista. In fact, the Department of General Services (DGS—who oversaw construction at the home) had returned to Chula Vista in 2002, shortly after the home opened, to repair shower benches in the Skilled Nursing Facility (SNF) unit, only for a shower bench to come loose from the wall in SNF Unit 300 in December 2005. In this latter instance, the CDVA identified the problem as an “integral defect”—no moisture barrier and improper tile substrate (allowing water to infiltrate the tile and reach the wooden substructure)—and the department subsequently began repairs to all showers in the unit. However, the CDVA did not test shower walls in other units and therefore did not detect a larger problem until another shower bench (in a different building) failed in 2007.

The CDVA and the DGS have assured the Legislature that adequate steps are being taken to fix the showers at Chula Vista and protect the health and safety of the residents, yet staff notes that, as recently as January 2008, the DGS had not yet positively identified the underlying reason for the shower failures. DGS staff indicated that previous repairs made by the CDVA had wiped out any forensic evidence that the DGS might otherwise have used to diagnose the problem. Instead, the DGS planned to

undertake destruction of multiple showers to ascertain the root cause of the failures and to determine whether the CDVA's previous fixes had actually addressed the true problem.

Staff notes that while the DGS and the CDVA endeavor to develop the full scope, schedule and costs to complete the repairs, the estimates run from approximately \$1 million to \$3.3 million. Given the price tag and the concern for resident health and safety, the subcommittee may wish the CDVA to provide an update on shower repairs at Chula Vista.

**Questions:**

1. Have the CDVA and the DGS identified the root cause of the shower bench failures?
2. What is the current status of the showers at Chula Vista? How many are under repair or in various states of destruction?
3. What steps has the CDVA taken to provide adequate shower access to residents while fully protecting their health and safety?
4. When can the Legislature expect to learn more about the repair costs?
5. How, if at all, do the lessons learned from the Chula Vista shower problems inform the proposals before the subcommittee today?

### **Informational Issue – Restraint Free Policy Report**

Last year, the CDVA submitted a BCP for additional staff resources to support implementation of "restraint free" care at Yountville. In approving the \$352,000 GF and 5.0 positions requested, the Legislature added Budget Bill Language requiring the CDVA to submit a report by January 1, 2008, on the Homes-wide restraint reduction policy, including a demonstration of how the practice is measured, evaluated, reviewed, and reported. Subsequently, the Governor vetoed the language, but committed the Administration to responding to the Legislature's intent as if the request were in the form of Supplemental Report Language.

**Staff Comments:** The report has not yet been received by the Legislature. The Subcommittee may wish to ask the CDVA for an estimated time of arrival.

### **CDVA Issue 1: Treatment of Federal Funds and Reimbursements as General Fund Revenue in the Governor's Budget**

In contrast to past years, the 2008-09 Governor's Budget and the accompanying Budget Bill (SB 1067) do not contain separate appropriations for the reimbursements and federal funds the state receives for the provision of medical care at veterans homes. Instead, the Administration opted to count these moneys as revenue to the General Fund and to include them under the CDVA's General Fund appropriation.

**Staff Comments:** According to the Administration, the accounting method adopted in the proposed budget is consistent with the State Criminal Alien Assistance Program operated under the Department of Corrections; however, staff notes that this new approach is inconsistent with the method used for long-term care programs elsewhere in the state budget. Furthermore, this alternative accounting method undermines Legislative authority over the CDVA budget and decreases budget transparency. An example from the recent past helps to illustrate this point.

In a December 2001 report, the Bureau of State Audits found that the CDVA had not taken full advantage of all cash sources available to it, and had been slow to bill a substantial number of Medicare claims. Under the current accounting method, if the CDVA experienced a similar falloff in federal funds and/or reimbursements the department would need to request additional GF appropriation authority from the Legislature to cover its unfunded costs. The Legislature would then have the opportunity to investigate whether the CDVA was again failing to take advantage of all available non-state dollars, or whether the need was created by some other factor (for example, an adjustment in the federal per diem rate).

Under the Administration's proposed accounting method, if non-state dollars came in under anticipated levels, the CDVA would simply continue to spend from its General Fund appropriation, essentially dipping into the statewide General Fund "bucket" of revenue to make up for the "lost" federal funds and/or reimbursements—no notification to the Legislature would be required. In fact, legislative staff would have to make a special request to the Administration simply to view the level of non-state funds received by each of the veterans homes.

The new accounting method contained in the CDVA budget significantly curtails Legislative authority over GF appropriations and reduces transparency, unnecessarily obscuring the true source of revenues to the department by burying them in special budget "schedules" not readily accessible or understood by the public.

**Questions:**

1. What are the disadvantages, if any, of the existing accounting method?
2. Why did the Administration choose to employ a different accounting method this year?
3. How does the proposed accounting method further the Administration's stated goal of making the Governor's Budget more accessible and readable for the public?

**Staff Recommendation:** Instruct the Administration to AMEND the relevant CDVA items of appropriation in the Budget Bill to reflect consistency with past accounting of federal funds and reimbursements in the CDVA budget. (Any issues regarding the display can be worked out amongst staff.)

**VOTE:**

## **CDVA Issue 2: BCP-25 – Alzheimer’s Unit & Ward 1A/1B Operating Expense Increase**

The CDVA requests \$992,000 GF for Operating Expenses & Equipment (OE&E) costs associated with the Alzheimer’s Dementia Unit and Wards 1A & 1B at Yountville.

**Staff Comments:** The CDVA requested this funding in a May Revise letter in FY 2007-08, but the proposal was denied without prejudice because legislative staff did not have ample time to review the cost calculator (formulae) used to develop the funding estimates. The CDVA vetted the cost calculator with legislative staff during the fall budget-building process, but, due to poor communication and staff assignment changes, legislative staff concerns went unaddressed.

Those staff concerns have been revisited this spring, and the CDVA has indicated it will make a reduction to the training costs allocated to certain classifications. Staff notes that this calculator was used in building many if not most of the position requests in the CDVA budget. Therefore, if approved, the staff recommendation for this issue would require minor/technical adjustments to approved funding amounts in other issues.

**Staff Recommendation:** APPROVE the request, but adjust funding downward to reflect a slight revision to the OE&E cost calculator. (Legislative staff will work out the final numbers with the CDVA and the DOF.) Request the CDVA to continue to refine its costing methodology in order to provide a more solid analytical basis to future funding requests.

**VOTE:**

## **CDVA Issue 3: BCP-4 – Chula Vista Budget Correction**

The CDVA requests an ongoing GF augmentation of \$2.9 million to correct a funding deficit within the Chula Vista OE&E budget. (Staff notes that, under the current accounting method, this proposal actually reflects a request for only \$680,000 GF, with \$2.2 million in reimbursements.)

**Staff Comments:** On September 12, 2007, the Department of Finance (DOF) submitted to the Legislature a “Notification of Receipt of Deficiency Funding Requests from the Department of Veteran Affairs,” that included \$3.98 million for “ongoing operations at the Chula Vista Veterans Home.” The notification indicated that the DOF’s initial review found a need for funding the operating shortfall, but noted that the Office of State Audits and Evaluations (OSAE) would conduct an audit to determine the cause and to validate the true need for additional expenditure authority.

Subsequently, the DOF submitted to the Legislature on December 11, 2007, an “Approval of Deficiency Funding Request from the Department of Veteran Affairs,” based on the completed OSAE audit which found the CDVA’s original funding request overstated and recommended it be reduced (by \$1.1 million) to \$2.88 million. The OSAE report also found that, “Due to inexperienced budgeting staff and escalating

program expenditures, Chula Vista's budgeting process has been insufficient in meeting its overall needs, resulting in budget deficiencies over the past several years." According to the OSAE, among the strategies Chula Vista pursued (instead of seeking increased appropriations) were the following:

- Redirection of funds allotted for other uses such as maintenance, repairs, and training.
- Payment of prior year expenditures with current year appropriations.
- Seeking donations to cover expenditures normally funded through program appropriations.

Staff notes no concern with the requested amount, but the subcommittee may wish the CDVA to briefly outline steps taken to ensure that the "bad budgeting" practices enumerated in the audit do not take place again in the future.

**Questions:**

1. How did the operating deficit develop at Chula Vista? (Was this primarily caused by staff error, or by a larger, more systemic problem?)
2. What steps have been or are being taken to prevent a repeat of this problem?

**Staff Recommendation:** APPROVE the request, but with funding adjustments per the staff recommendation in Issue 2. (Legislative staff will work with CDVA and DOF to arrive at final numbers.)

**VOTE:**

<b>CDVA Issue 4: BCP-2 – GLAVC Veterans Homes Start Up Staffing, Phase II</b>
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The CDVA requests \$9.4 million GF and 100.7 positions to complete construction, pre-activation, and begin business operations of the Greater Los Angeles/Ventura Counties (GLAVC) Veterans Homes.

**Staff Comments:** The GLAVC veterans homes were envisioned and enabled (along with the Redding and Fresno homes discussed below) by the Veterans Home Bond Act of 2000, AB 2559 (Wesson) of 2002, and AB 1077 (Wesson) of 2004, which made funds available to meet the matching requirement to receive a grant from the USDVA State Home Grant Program—which funds the majority of the project costs (the split is approximately 60 percent federal funds with the remainder consisting of General Obligation and Lease-Revenue Bonds).

The Legislature approved pre-activation and construction funding for Phase I of GLAVC last year, and ground-breaking for the three new homes took place on schedule in June and July of 2007. Construction at Ventura and Lancaster is scheduled for completion in December 2008, with the first residents to arrive in April. Under this proposal, Ventura and Lancaster would serve 18 veterans in the Adult Day Health Care (ADHC) program and house 30 Residential Care Facility for the Elderly residents by the close of FY 2008-09. With West Los Angeles to be completed in December 2009, the new homes, when



fully operational, would add approximately 616 total beds to the veterans' home system. According to the CDVA, 250 letters of intent to apply to GLAVC have been received to date. (Staff notes that the letters of intent have arrived largely unsolicited. The CDVA provides information about the new homes and invites letters of intent on its website, but has not engaged in any formal advertising.)

As discussed below (in Issue 5), the Governor's proposed BBR would delay opening of the ADHC units at Ventura and Lancaster until FY 2009-10, but all other aspects of the homes would become operational according to the schedule laid out in this proposal.

Staff notes that approximately 20 percent of CDVA home residents are currently MediCal participants, yet the ADHC portion of this proposal is fully funded by the GF and does not reflect a plan to accept MediCal participants (which would bring in non-state funds to supplant GF). Although there is currently a statewide moratorium on establishing new MediCal supported ADHC programs, because the CDVA is sponsoring its own program, it may very well be able to accept and access MediCal support patients. Staff are working with the CDVA to make this determination.

**Questions:**

1. Please clarify the requirements of the federal grant used to fund GLAVC?
2. Does the state have any options in terms of delaying the opening of the homes in the face of the current fiscal crisis? Notwithstanding the clear legislative intent in enabling and funding the homes, could the state pursue a waiver from the federal government in order to avoid having to immediately repay the grant funds?
3. What was the basis for the CDVA's determination to seek only GF for the ADHC program, instead of counting on at least some increment of MediCal reimbursements?

**Staff Recommendation:** HOLD OPEN this request pending resolution of whether or not MediCal patients can be accepted to the ADHC program.

**VOTE:**

<b>CDVA Issue 5: BCP-3 – Redding and Fresno Veterans Homes Pre-Activation</b>
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The CDVA requests \$580,000 GF and 8.0 positions (4.3 PYs in 2008-09) for the pre-activation phases of the Redding and Fresno Veterans Homes projects to ensure that all aspects of the construction and business operations of the homes are compliant with federal, state, and local laws and regulations.

**Staff Comments:** The Redding and Fresno veterans homes were envisioned and enabled by the same legislation that produced GLAVC, and were provided authority to pursue a design-build project procurement process under AB 1725 (LaMalfa) of 2005. Construction of the Redding and Fresno homes, which are to be modeled after the GLAVC satellite facilities in Lancaster and Ventura County, is scheduled to begin in November 2008, with Redding to be completed in October 2010, and Fresno in February 2011.

As discussed below (Issue 5), the Governor has proposed a BBR delaying the pre-activation phase for these new homes until FY 2009-10 (essentially placing this Budget Change Proposal on hold for a year). However, with or without the delay in pre-activation, the construction phase will go forward barring action by the Legislature to delay it. Notwithstanding the clear legislative intent embodied in the enabling legislation referenced above, the depth and breadth of the current fiscal crisis and the uncertain economic outlook warrant at least a discussion of the possibility of delaying construction of the Redding and Fresno homes (to “stop digging” the fiscal “hole” as it were).

Because the Redding and Fresno homes are to pursue an expedited design-build project procurement, the subcommittee may wish the CDVA to explain the timeframe in which a delay decision would have to be made.

**Questions:**

1. If groundbreaking is to begin in November 2009, how soon would the Legislature have to act to delay construction until FY 2009-10? When would it be too late to pursue this course of action?
2. What are the costs or considerations that might weigh against delaying the construction?
3. If the Legislature opted to delay, what GF savings would be generated in 2008-09 and 2009-10?

**Staff Recommendation:** HOLD OPEN, pending discussion of Issue 6. Then, if the subcommittee is prepared to approve the delayed pre-activation phase proposed in Issue 6, APPROVE this request with funding adjustments per the staff recommendation in Issue 2.

**VOTE:**

<b>CDVA Issue 6: BBR – Ten Percent Cut to Care of Sick and Disabled Veterans Program</b>
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The Governor proposes to reduce veterans home budgets by a total of \$18.7 million GF and 115.0 positions relative to the “workload” budget prepared by the Administration.

**Staff Comments:** As noted above, the Administration first approved a number of baseline and policy adjustments (a “workload” budget), before applying a ten percent GF reduction. For example, the Governor approved funding to finish construction and activate new veterans homes in Lancaster and Ventura County, and to begin pre-activation and construction on homes in Fresno and Redding, and then ordered certain delays in these activities (outlined below) to help achieve a 10 percent savings.

According to the Administration, the proposed reductions would be taken in the following manner:

- Limit expansion of the Memory Care Unit at Yountville to 40 beds [instead of 75, as approved in FY 2006-07], resulting in fewer veterans served.

- Reduce the Chula Vista Domiciliary/Residential Care Facility for the Elderly (DOM/RCFE) census by approximately 60 residents. Some former residents of Barstow have already expressed interest in returning to that home, while the rest of the reduction would be achieved through normal attrition as residents require higher levels of care or move to other placements.
- Postpone by three months, until Fiscal Year 2009-10, the opening of the Adult Day Health Care (ADHC) unit at the Lancaster and Ventura County homes.
- Delay establishing the pre-activation teams at both Redding and Fresno until July 2009.
- Eliminate the VistA component from the Enterprise-wide Veterans Home Information System project [approved in FY 2007-08].

Staff notes that the Legislature approved the current year component of this BBR proposal in special session, including a GF reduction of \$1.7 million and 17.8 positions.

**Questions:**

1. Would it be accurate to say that, even with the proposed reductions, under the Governor's Budget the state would be serving more veterans home residents in FY 2008-09 than it did in FY 2006-07?

**Staff Recommendation:** HOLD OPEN, pending resolution of Issue 4.

**VOTE:**

<p><b>CDVA Issue 7: BCP-5 – Fiscal Operations—Effective Fiscal Oversight (HQ)</b></p>
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The CDVA requests 14.0 positions and \$1.3 million GF to address deficiencies in fiscal controls and provide effective fiscal oversight of budget development, capital outlay, accounting, and financial and fiscal operations for the department, particularly at the veterans homes.

**Staff Comments:** This request stems from a corrective action plan developed by the CDVA in response to Budget Bill Language instituted in response to errors and inconsistencies in budget documents produced by the department during the FY 2006-07 budget process. Over the past year, the CDVA has met frequently with the Department of Finance (DOF), the Legislative Analyst's Office (LAO), and Budget Committee consultants to provide updates on its review of internal fiscal processes and controls, and to discuss its plans to address the inadequacies and weaknesses of these processes in view of the increasing demands the department will encounter as new homes are brought on-line in the coming years. According to the CDVA, this proposal reflects the recognition that the department must grow out of a dependence on "personalities" and come to rely more heavily on organization, systems, and structures that can weather the coming and going of individual staff members.

Additionally, the Administration and legislative staff have spoken on a number of occasions over the past year about the need to overhaul the decentralized organizational structure that developed organically from just a single home (Yountville) into the “confederation” of three homes governed somewhat uneasily by HQ for the past seven years. Epitomized by a budget in which each home had its own item of appropriation, this system provided inadequate oversight of fiscal operations at the homes and enabled systematic errors in budgeting such as the operating shortfall described in Issue 3 above.

To address these shortcomings, the CDVA proposes the following:

- A budget/fiscal support staff person for each home who reports to HQ but who resides at the home and advises the home administrator.
- A fiscal operations manager to oversee the existing budget office, the new budget/fiscal support staff (above) and a new Cost Analysis/Forecasting Unit consisting of three research analysts.
- Five administrative, technical, and clerical staff to support the Administration executives and Fiscal Operations.

Although the CDVA makes a compelling case for the need for the five budget/fiscal support staff, the immediate need for the remainder of this proposal is less clear at the present time. For example, it is not apparent that the department currently has the need for an entire unit devoted to cost analysis and forecasting (though it might once all eight homes are on-line). Given the tight constraints on the GF in the current fiscal crisis a more measured approach to staffing these new functions might be warranted.

**Questions:**

1. Given a history of the homes acting semi-autonomously, how does the CDVA envision instituting the culture change necessary for the HQ budget staff to work collaboratively and constructively within the homes?
2. What currently unmet workload needs would the addition of clerical support allow executive staff to meet?
3. Which of the needs addressed by this staffing proposal are most closely associated with the five new homes and could be considered in a future budget? If the CDVA had to prioritize, which positions would be the most important and which the least?

**Staff Recommendation:** APPROVE the request IN-PART with funding adjustments per the staff recommendation in Issue 2. DENY five of the requested positions (two Research Analysts, the SSM III, an SSA, and a Mgmt Svcs Tech), but provide the incremental funding necessary for the CDVA to upgrade its existing SSM II (in the Budget Office) to an SSM III in recognition of the position’s increased managerial responsibilities.

**VOTE:**

## **CDVA Issue 8: BCP-10 – Capital Assets, Facilities Management and Construction**

The CDVA requests \$3.2 million GF and 19.0 positions (including \$1.1 million for deferred maintenance) to address increased workload in construction planning and implementation, capital outlay, and facilities management.

**Staff Comments:** Last year this subcommittee approved 8.0 one-year limited-term positions and \$1.9 million GF to address deferred repair and maintenance at the homes (primarily Yountville). In doing so, staff noted that the CDVA had not provided an explicit maintenance schedule tied to the level of dollars requested.

This proposal reflects a request to make last year's limited-term positions permanent and to approve an additional 11.0 positions to create a new division of Capital Assets, Facilities Management, Maintenance and Construction. According to the CDVA, the new staffing would finally provide the resources to develop and implement not only a long-term deferred maintenance plan, but also a facilities master plan (neither of which currently exists). Additionally, the CDVA notes that the proposed positions and organizational structure would enable the department to oversee its major capital outlay projects (in order to help avoid any repeats of the problems experienced in Chula Vista) and take more control of smaller public works projects that may be appropriately delegated to the department. The CDVA believes the proposed organizational structure and supporting positions will be sufficient to meet the current and out-year needs for the eight existing and proposed CDVA facilities.

While the significant maintenance needs of the aging facility at Yountville and the imminent construction of several new veterans homes highlights the need for the CDVA to be proactive in managing its capital assets, like the Fiscal Operations proposal in Issue 5, some of the positions in this proposal appear to be unjustified at this time. In fact, the CDVA itself acknowledges that the staffing complement requested would be adequate to address the needs of the department after all eight homes are up and running. Therefore, the subcommittee may wish to reduce this proposal in a fashion similar to Issue 5.

### **Questions:**

1. If these positions are approved, is the CDVA prepared to submit a deferred maintenance plan before any future funds are supplied for that purpose?
2. What high priority workload would the CDVA be unable to address in the immediate term under the staff recommendation?

**Staff Recommendation:** APPROVE the request IN-PART with funding adjustments per the staff recommendation in Issue 2. DENY four positions (the Direct Construction Supervisor II, the SSM II, the AGPA, and an OT). APPROVE the deferred maintenance funding for one-year (with the expectation that any future request for ongoing funding ought to be accompanied by a long-term deferred maintenance plan).

### **VOTE:**

## **CDVA Issue 9: BCP-12 – Minimum Data Set and Standards Compliance Staffing (CV)**

The CDVA requests \$448,000 GF and 4.0 positions to meet Minimum Data Set (MDS) requirements at the Chula Vista Skilled Nursing Facility (SNF) and maintain the health community standard of one MDS employee per 60 residents.

**Staff Comments:** In 1990, the Resident Assessment Instrument (RAI) became a federally mandated document intended to monitor the quality of care in nursing homes throughout the country. The RAI consisted of an assessment of all medical, psychosocial, and emotional and nursing needs for the patient and was subsequently transcribed onto the MDS. Each resident admitted to the SNF receives this assessment upon admission, quarterly, annually, and if there is a significant change of medical condition.

The CDVA indicates that the annual California Department of Health Services (CDHS) surveys of 2003, 2004, 2005, and 2006, each found the home deficient in its assessment and correct completion of the MDS and the Care Plan generated by the MDS. Among the deficiencies cited, the facility failed to properly code patients readmitted from hospital stays, and, in at least one instance, wounds sustained by a resident while in the hospital were incorrectly reported as having been sustained while in the SNF. This caused the quality assurance profile of the SNF (which is posted publicly on the web) to drop below the state and national averages. While miscoding and late entries can result in reduction of Medicare reimbursements to the home, the department notes that the potential penalties and sanctions as a result of significant quality deficiencies and citations are an even greater risk to the CDVA.

**Staff Recommendation:** APPROVE the request with funding adjustments per the staff recommendation in Issue 2.

**VOTE:**

## **CDVA Issue 10: BCP-13 – AB 2609 Workload—Medication Management Program Oversight (CV)**

The CDVA requests \$164,000 GF and 2.0 positions to provide medication management program oversight within the Residential Care Facility for the Elderly (RCFE) unit at Chula Vista.

**Staff Comments:** AB 2609 (Evans) of 2006 requires licensed RCFEs to ensure that each employee who assists residents with the self-administration of medications meet certain training requirements. The CDVA requests two Licensed Vocational Nurses to provide nursing care, medication management training, oversight, and direction to meet the bill's requirements.

As discussed in full Budget Committee hearings during the special session, the current fiscal crisis requires that the Legislature consider many options that would not ordinarily

be on the table in better budgetary times. This includes deferral or elimination of funding for recently enacted legislation.

**Staff Recommendation:** DENY this proposal without prejudice toward the justification supplied by the CDVA and notwithstanding the previous intent of the Legislature in passing AB 2609. Encourage the CDVA to address the requirements of AB 2609 as best as is possible within existing resources and offer reconsideration of this proposal next year.

**VOTE:**

### **CDVA Issue 11: BCP-14 – The Pathway Home Program (Y)**

The CDVA requests \$600,000 in reimbursement authority for three years to host a privately funded pilot program for returning disabled veterans at Yountville.

**Staff Comments:** The CDVA indicates that Yountville is currently negotiating an agreement with The Pathway Home Program (PHP), LLC to utilize private funding from the Iraq-Afghanistan Deployment Impact Fund to establish a specialized program in a currently unoccupied building to accommodate and rehabilitate physically and/or psychologically disabled veterans of service in Iraq and Afghanistan. These veterans are otherwise eligible for admission to the Home as “disabled veterans” and would be afforded the status of associate members under the agreement.

According to the CDVA, the program would serve approximately 25-30 members at a time for stays ranging from 90 to 120 days, with the intent of helping the veterans return to healthy and independent lives within their communities. Staffing for specialized services for the associate members in the program would be paid for by the Tides Foundation, while the operating agreement would provide a means for the Home to collect reimbursement from the program for meals consumed, laundry, and recreational services utilized. The program would otherwise operate independently, providing its own medical care and other specialized services through its own staff and outside providers.

Although this request is for three years, if the pilot program is successful, the CDVA hopes to identify a permanent funding source (perhaps federally) to continue it.

The CDVA anticipates preparing a Spring Finance Letter when the agreement has been finalized.

**Staff Recommendation:** HOLD OPEN, pending the Spring Finance Letter.

**VOTE:**

### **CDVA Issue 12: BCP-16 – Skilled Nursing Facility Staff-to-Patient Ratios (CV)**

The CDVA requests \$3.5 million GF and 38.0 positions to implement staffing ratios set forth in emergency draft regulations recently issued by the California Department of Public Health (CDPH).

**Staff Comments:** Staff-to-patient ratios were legislated in 2001 as part of AB 1075, but delay in implementing the statute led to a lawsuit against CDPH by a consumer-advocate organization. In settling the suit, the CDPH agreed to implement emergency regulations, with a formula for calculating appropriate ratios, contingent upon a budget allocation in the annual budget or other statute. The Legislature subsequently authorized the CDPH to adopt emergency regulations to implement the provisions of AB 1075, and the CDPH issued draft regulations on October 16, 2007.

Staff notes that the workload calculations supporting this request are insubstantial, and may be inaccurate. The Administration has indicated that it plans to submit a Spring Finance Letter to correct these errors. Therefore, the subcommittee may wish to deny this proposal and “start fresh” when the Administration submits a more justifiable proposal later in the spring.

**Staff Recommendation:** DENY the request.

**VOTE:**

### **CDVA Issue 13: Trailer Bill Language – Adult Day Health Care Fees**

The Administration has submitted Trailer Bill Language (TBL) to authorize the CDVA to charge a fee for its new adult day health care program.

**Staff Comments:** The Administration indicates that there are revisions to the original TBL; however staff has not yet received the amendments.

**Staff Recommendation:** HOLD OPEN.

**VOTE:**



## **VOTE-ONLY AGENDA:**

### **Vote-Only Issue 1: BBR – Veteran Claims Program**

The Governor proposes to reduce veteran outreach efforts by \$263,000 and 1.0 Personnel Year (PY) relative to the “workload” budget prepared by the Administration.

**Staff Comments:** According to the Administration, the proposed reduction would be taken in the CDVA headquarters office (HQ), and would result in less training for staff, veteran service organizations, and county veteran service offices. The CDVA’s reduced capability to provide services to veterans could result in fewer federal dollars flowing into the state in the form of veteran’s benefits.

### **Vote-Only Issue 2: BCP-11 – Northern California Veterans Cemetery—Shift to Civil Service**

The CDVA proposes to transition the Northern California Veterans Cemetery (NCVC) from a service contract to civil service staffing. The request includes 4.0 new positions to be funded from within existing resources (\$543,000, including \$316,000 GF).

**Staff Comments:** The United States Department of Veterans Affairs (USDVA) funded 100 percent of the design, development, and constructions costs of the NCVC, which began operations as a new state function on December 21, 2005. Under the rationale that the state lacked experience operating a cemetery and that the private sector could do so more cost-effectively, the state has employed contracted services since the NCVC’s inception. However, the cost of the contract has increased steadily and the contract terms have precluded the state from accessing volunteers, the USDVA Work Study Program, or CalWorks as alternative work options to address existing workload and special projects.

Given that state expertise in cemetery management has grown, the CDVA now believes that civil service staff would not only provide a solution that is at least as cost-effective as the current contract services, but would also provide greater flexibility in addressing the NCVC’s emerging needs through auxiliary sources of labor. Staff notes that, since this BCP was developed, the current contractor has noticed the department that it would not renew the contract. The CDVA indicates that it has taken steps to administratively establish positions to provide continued operations.

### **Vote-Only Issue 3: BBR – Veteran Memorials Program (NCVC)**

The Governor proposes to reduce by \$32,000 GF the Operating Expenses and Equipment (OE&E) budget for the NCVC (see related issue above).

**Staff Comments:** The Administration indicates that this reduction would be made possible if the NCVC is transitioned to civil service staffing (as outlined above). The

CDVA anticipates accessing alternative work force options to mitigate the impacts of the reduction.

#### **Vote-Only Issue 4: BBR – Local Assistance to Veteran Service Offices**

The Governor proposes to reduce local assistance to County Veteran Services Offices (CVSOs) by \$260,000 GF.

**Staff Comments:** The Administration indicates that the proposed reduction would decrease outreach and educational programs conducted by CVSOs, resulting in reduced access to benefits for veterans and fewer federal dollars entering the California economy. This proposal would affect all counties, but would have the greatest potential impact on small counties, where the loss of state funds could cause closure of entire programs.

Staff notes that the proposed reduction represents 10 percent of the base GF budget for this program, but that the program also receives approximately \$1.4 million in other funds that would not be affected by this reduction.

#### **Vote-Only Issue 5: BBR – Administrative Support**

The Governor proposes to reduce administrative support in the CDVA by \$149,000 GF and 2.5 PYs.

**Staff Comments:** The Administration indicates this reduction would be achieved by eliminating 1.0 position in the Human Resources (HR) Division and 1.5 positions within the Legal Office. According to the CDVA, loss of the HR position could impact the timely hiring of personnel for the new homes; however, the Legal Office reductions would have only a minor impact on the collection of un-reimbursed costs of care from deceased members' estates.

Staff notes that the Legislature approved the current year component of this proposal (\$30,000 and 0.5 PYs) in special session. Staff additionally notes that the HR position reduction assumes approval of the position as part of BCP-2 ("GLAVC Veterans Home Start Up Staffing, Phase II"—see below).

#### **Vote-Only Issue 6: BCP-7 – Computed Radiology Picture Archiving and Communication Systems (Y)**

The CDVA requests \$123,000 GF to replace the traditional x-ray film process at Yountville.

**Staff Comments:** Yountville currently chemically develops x-ray films and transports them off-site for a reading by a contract radiologist. Until May 2007, the average turn-

around time for the exam draft report was 2.0 days and 4.4 days for a signed and finalized report. However, with the introduction of electronic signature, the turnaround time has been reduced to 1.7 days for a draft report and 2.8 days for a finalized report. This request would further reduce the turnaround time by allowing images to be transmitted electronically. Additionally, the proposed system would allow multiple individuals (doctors, nurses, and/or radiologists) to potentially view the same x-ray at the same time but in different locations.

### **Vote-Only Issue 7: BCP-17 – Pharmacy Workload (CV)**

The CDVA requests \$224,000 GF and 2.0 positions to address increased workload and regulatory requirements in the Chula Vista pharmacy.

**Staff Comments:** Originally, the Chula Vista pharmacy was to serve the prescriptions needs of the home's RCFE and DOM units—a total average daily census of approximately 165 residents requiring approximately 1,485 prescriptions per month. However, the home has grown and the pharmacy has been required to address not only the increasing number of Chula Vista residents, but the prescription needs of Barstow's residents as well. Today, the pharmacy fills an average of 5,100 prescriptions per month for 531 residents of the two homes. Over time, the original staff of 2.0 pharmacists and 2.0 pharmacy technicians was augmented to include an office technician, and in 2006 a pharmacist and pharmacy technician from Barstow along with an office technician and a half-time consultant (for a total of 7.5 positions); however, with the reopening of the Barstow SNF unit and the addition of its 40 new residents, the CDVA asserts that the pharmacy workload is no longer absorbable within existing resources.

### **Vote-Only Issue 8: COBCP – Yountville: Upgrade Fire Alarm System**

The CDVA requests \$339,000 GF to prepare preliminary plans and working drawings for the purchase and installation of a new addressable fire alarm system in seven veteran-occupied buildings and the acute care center at Yountville. Assuming the project was to go according to plan, the CDVA would request an additional \$2.2 million (\$680,000 GF and \$1.53 million Federal Funds) for construction costs in FY 2009-10.

**Staff Comments:** An addressable fire alarm system transmits information that allows emergency response personnel to pinpoint the location (the building, and in some cases the floor) of a fire, thereby significantly reducing response times. Although many of the Yountville residential areas were remodeled in the late 1980s and early 1990s, addressable fire alarms were not available at the time. While some areas of the home have since been upgraded with addressable smoke detectors, these detectors are rendered less than fully effective by the aging computer that currently services the Central Fire Alarm System. In addition to placing addressable smoke detectors in seven veteran-occupied buildings, this project would also replace the existing computer (which has exceeded its "useful life" by 11 years and failed 10 times in a 12-month period), and bring the Yountville fire alarm system into compliance with both the National Fire Code and Title 19 of the California Code of Regulations.

Staff notes that both Barstow and Chula Vista have addressable fire alarm systems.

### **Vote-Only Issue 9: COBCP – Yountville: Wastewater System Study**

The CDVA requests \$199,000 GF to study apparent cracks in the 1920s era sewer system at Yountville. According to the CDVA, the study will allow a determination as to the most economical way to secure the sewer system.

**Staff Comments:** Data indicates that sewer flows into the Joint Treatment Plant track rainfall (i.e. flows increase with rainfall), suggesting that the sewer system at Yountville is subject to infiltration/inflow from rain runoff and/or ground water entering the system through cracks, breaks, root damage, and/or improper connections. Not only does this unnecessarily increase sewer treatment costs (because all of the water is processed as if it were raw sewage), but it raises concern that the sewer system may leak during the dry season.

**STAFF RECOMMENDATION ON VOTE-ONLY ITEMS:** APPROVE Vote-Only Issues 1 through 9 with funding adjustments per the staff recommendation in Issue 2 for all proposals containing position requests.

**VOTE on Vote-Only Issues 1 through 9:**